



Economics Group

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Personal Income Strengthens Ahead of Holidays

Strong income growth and a slower pace of spending in October pushed the saving rate up to its highest mark in nearly three years. The Fed's favored gauge of inflation eased, but looks at odds with other measures.

Income Picks Up, but Spending Is Tepid

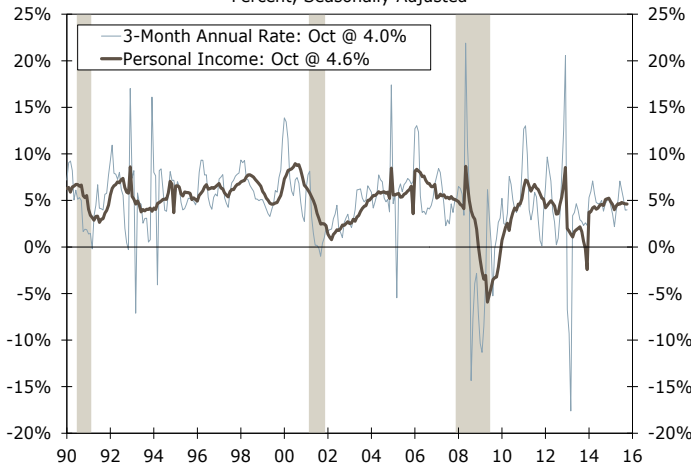
- Personal income growth strengthened in October, rising 0.4 percent. Income from wages & salaries led the increase, up 0.6 percent, as hiring and average hourly earnings picked up. Total income has risen 4.6 percent over the past year, but labor income is up 4.9 percent over the same period.
- Spending, on the other hand, got off to a soft start in the fourth quarter, increasing 0.1 percent or 1.5 percent annualized.

PCE Inflation Looks Out of Step with Other Measures

- The tepid space of spending pushed the saving rate up to its highest level since before the “fiscal cliff” of 2013 and suggests consumers have some spending firepower ahead of the holidays.
- PCE inflation came in softer than expected at 0.1 percent, while the core index rose a measly 0.04 percent. The trend in core PCE continues to look out of step with other measures, complicating the Fed’s interpretation of underlying price pressures.

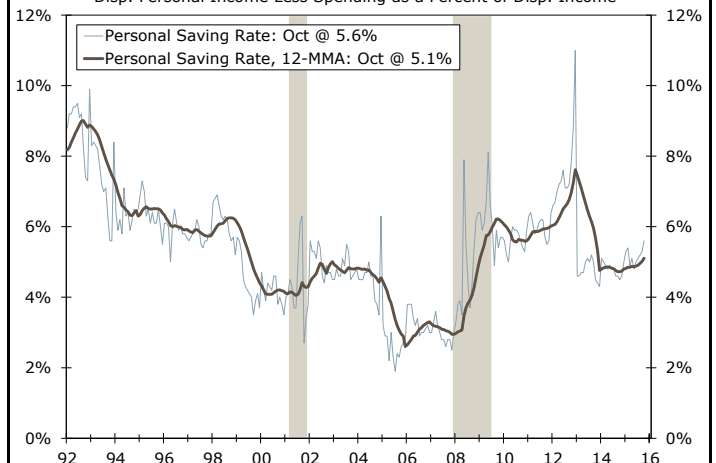
Personal Income

Percent, Seasonally Adjusted



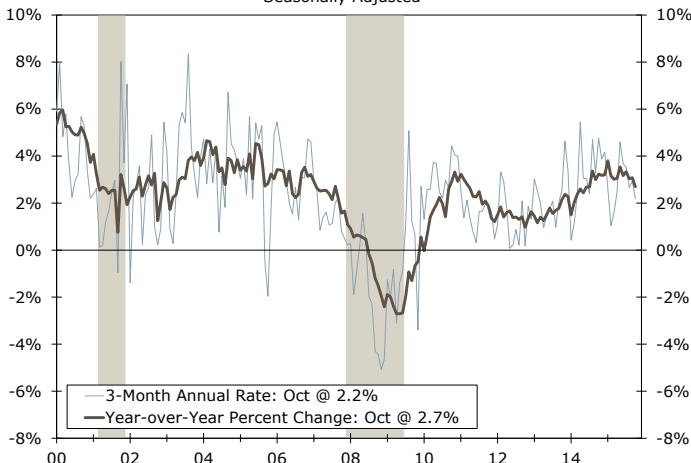
Personal Saving Rate

Disp. Personal Income Less Spending as a Percent of Disp. Income



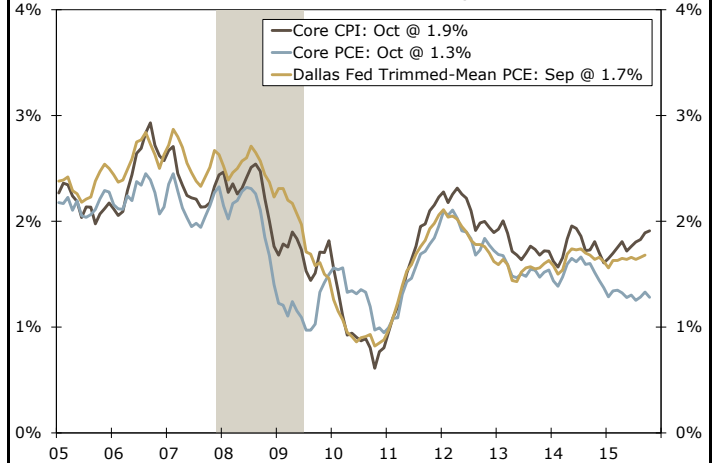
Real Consumer Spending

Seasonally Adjusted



Alternative Inflation Measures

Year-over-Year Percent Change



Source: U.S. Dept. of Commerce, U.S. Dept. of Labor, Federal Reserve Bank of Dallas and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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